

Message Text

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ACTION SS-25

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P R 081045Z JAN 76

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 3301

INFO AMCONSUL DHAHRAN

AMEMBASSY ABU DHABI

AMEMBASSY ADDIS ABABA

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY VIENNA

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MOGADISCIO

AMEMBASSY MUSCAT

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY SANA

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

S E C R E T SECTION 1 OF 3 JIDDA 0119

EXDIS

DEPT ALSO FOR AMBASSADOR PORTER

E.O. 11652: GDS

TAGS: PINT, PFOR, EGEN, US, SA

SUBJECT: ANNUAL POLICY ASSESSMENT FOR SAUDI ARABIA: PART THREE

REF: 75 STATE 268352, 75 JIDDA A-21

THIS TELEGRAM IS THE THIRD OF FIVE TRANSMITTING THE

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ANNUAL POLICY ASSESSMENT FOR SAUDI ARABIA. THIS TELE-

GRAM CONTAINS SECTION II. B. U.S. POLITICAL INTERESTS.

II. B. U.S. POLITICAL INTERESTS IN SAUDI ARABIA

1. INTERNAL STABILITY

IN ITS RELATIONS WITH THE ARABIAN PENINSULA, THE U.S. HAS A PRIMARY INTEREST IN THE INTERNAL STABILITY OF SAUDI ARABIA. IN PRACTICAL TERMS THIS MEANS THE CONTINUATION OF POWER OF THE PRESENT REGIME OF THE HOUSE OF SAUD WHICH IS POLITICALLY MODERATE, SOCIALLY PROGRESSIVE, FREE-ENTERPRISE-ORIENTED, AND PRO-WESTERN--IN THE SENSE THAT IT IS WILLING WITHIN LIMITS TO ADAPT ITS POLICIES TO THE ECONOMIC AND POLITICAL WELL-BEING OF THE FREE WORLD (A TERM NOT YET PASSE HERE). THERE IS NO EXISTING ALTERNATIVE TO THE PRESENT REGIME NOR DOES IT FACE ANY DISCERNIBLE THREAT. THERE ARE, HOWEVER, A NUMBER OF DANGER SIGNS WHICH COULD, IF UNATTENDED NOW, BECOME SIGNIFICANT OVER THE MIDDLE DISTANCE. AMONG THESE IS THE APPARENTLY UNCHECKED GROWTH OF LARGE-SCALE CORRUPTION--MOST EVIDENT IN THE AWARDED OF CIVILIAN AND MILITARY DEVELOPMENT CONTRACTS--AND WHICH IN VARIOUS FORMS EXTENDS TO A LEVEL TOUCHING THE LIVES OF THE AVERAGE SAUDI CITIZEN. THIS INCLUDES THE WELL KNOWN CUSTOM OF MULTI-MILLION DOLLAR "AGENTS' FEES," GROSS OVER INVOICING FOR GOODS AND SERVICES, THE REPORTED AWARDED OF A \$20 MILLION CONTRACT FOR A FEASIBILITY STUDY ON SWIMMING POOLS IN KINGDOM, AND SUCH PRACTICES AS THE TAKING OF BRIBES FOR THE EXPEDITIOUS HANDLING OF REQUESTS FOR BUILDING PERMITS, CUSTOMS CLEARANCES, ETC. (SEE 75 JIDDA 6888 FOR A RECENT REPORT ON CORRUPTION.)

ANOTHER MAIN CONCERN IS THE APPARENT INABILITY OF THE GOVERNMENT TO COME TO GRIPS WITH THE NEGATIVE IMPACT ON THE POPULATION OF RAPID ECONOMIC EXPANSION. (SEE SECTION II, B.3 "ECONOMIC AND SOCIAL DEVELOPMENT.") THE REGIME SKILLFULLY HANDLED THE TRANSITION AFTER THE MARCH 1975 ASSASSINATION OF KING FAISAL AND THE MAJOR CABINET SHUFFLE OF OCTOBER 1975 BROUGHT TO
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POSITIONS OF RESPONSIBILITY A NUMBER OF COMPETENT, ENERGETIC AND DEDICATED COMMONERS. NEVERTHELESS, THE GOVERNMENT NOW APPEARS AT TIMES TO BE DRIFTING. FAISAL'S STYLE DID NOT ENCOURAGE RAPID GOVERNMENTAL ACTION, BUT HE WAS A SYMBOL OF GOVERNMENTAL CONCERN AND AUTHORITY WHO INSPIRED CONFIDENCE IN THE PUBLIC. OBJECTIVELY, THE GOVERNMENT'S PERFORMANCE MAY HAVE IMPROVED SINCE HIS DEATH BUT THERE IS A NOTICEABLE

PUBLIC QUESTIONING OF THE ABILITY OF THE GOVERNMENT TO
DEAL WITH THE PROBLEMS CONFRONTING THE COUNTRY:
DECISIONS SPEW FORTH FROM THE COUNCIL OF MINISTERS
BUT IMPLEMENTATION SELDOM SEEMS VISIBLE.

THE OBVIOUS DANGER IN ALL OF THIS IS THAT PUBLIC
DISSATISFACTION WILL TURN TO CONTEMPT FOR A REGIME
WHICH MOST PEOPLE NOW SUPPORT. THE DANGER COULD BECOME
ACUTE IF THE DISAFFECTION WERE TO BECOME WIDESPREAD
IN THE ARMED FORCES AND AMONG THE ELITE OF CIVILIAN
TECHNOCRATS. THE OUTLINES OF THE RESULTING OPPOSITION
MIGHT BEAR A CLOSE RESEMBLANCE TO THAT WHICH SUDDENLY
CAME TO POWER IN LIBYA: ANTI-CORRUPTION, PURITANICAL,
NATIONALISTIC TO THE POINT OF XENOPHOBIA. IT IS
VERY POSSIBLE THAT THE PROGRAM OF SUCH AN OPPOSITION
WOULD INCLUDE A RETURN TO BASIC ISLAMIC VALUES, LESS
RELIANCE ON NON-ARAB FOREIGNERS FOR DEVELOPMENT, A
RETHINKING OF THE NEED FOR AND DESIRABILITY OF INDUS-
TRIALIZATION AND, VERY POSSIBLY, A DETERMINATION TO
CUT BACK OIL PRODUCTION TO A FAR LOWER LEVEL, BUT
SUFFICIENT STILL TO MEET REALISTIC DEVELOPMENT PLANS.
SUCH AN OPPOSITION WITHIN SAUDI ARABIA WOULD INVITE
SUBVERSION FROM THE RADICAL ARAB STATES, PARTICULARLY
LIBYA AND IRAQ. MOREOVER, THE HUNDREDS OF THOUSANDS
OF ARAB WORKERS FROM ABROAD COULD PROVIDE PASSIVE
ENCOURAGEMENT TO THESE INDIGENOUS ANTI-GOVERNMENT
FORCES. AS NOTED IN MORE DETAIL IN JIDDA A-21 OF
MARCH 27, 1975, THE ROOTS OF THE PRESENT REGIME ARE
STRONG AND EXTENSIVE. PROSPECTS FOR STABILITY OVER
THE MEDIUM (4-7 YEAR) TERM STILL LOOK GOOD, BUT SOME-
WHAT LESS SO THAN A YEAR AGO.

OUR CONSIDERATION OF PROSPECTS FOR THE SAUDI REGIME,
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HOWEVER, MUST ALWAYS BEGIN WITH THE REALIZATION THAT
NO EXTENSIVE SOCIETY IN THE MODERN WORLD HAS HAD TO
FACE AN ACCESS OF SUDDEN WEALTH ON THE ORDER OF
SAUDI ARABIA'S. IN THE NEXT FIVE YEARS, SAUDI ARABIA'S
FIVE MILLION INHABITANTS BE AWASH IN ABOUT 250 BILLION
DOLLARS. WHAT CAN HAPPEN IS ALMOST MORE A JOB FOR
FUTURISTS OF THE HERMAN KAHN VARIETY THAN FOR FOREIGN
SERVICE OFFICERS. BUT THE LIKELIHOOD OF SERIOUS
SOCIAL DISLOCATION WILL BE CONSIDERABLE, ALTHOUGH
THIS NEED NOT NECESSARILY BE ACCOMPANIED BY MATCHING
POLITICAL DISLOCATION.

2. SUPPORT FOR U.S.-MIDDLE EAST PEACE INITIATIVES

THE U.S. HAS, SECOND, AN INTEREST IN CONTINUED SAUDI SUP-

PORT FOR U.S. PEACE-KEEPING INITIATIVES. SAUDI ARABIA'S INFLUENCE IN THE ARAB WORLD HAS NEVER BEEN GREATER, LARGELY BECAUSE OF THE KINGDOM'S VAST WEALTH AND THE DESIRE OF OTHER ARAB COUNTRIES TO SHARE IN IT. SAUDI ARABIA, FOR ITS PART, HAS BEEN SHOWING A WILLINGNESS TO PLAY A MORE ACTIVE ROLE IN ARAB AFFAIRS. THIS IS PARTLY THE RESULT OF EXTERNAL FACTORS: THE COUNTRIES TRADITIONALLY MOST IMPORTANT TO SAUDI ARABIA-- EGYPT, SYRAI AND TO A LESSER EXTENT JORDAN--ARE NOW ALL GOVERNED BY RULERS WHOM THE SAUDIS REGARD AS MODERATE AND WITH WHOM THEY BELIEVE THEY CAN DEAL. IT IS ALSO A RESULT OF AN ALTERED, MORE SELF-CONFIDENT AND OUTWARD-LOOKING SAUDI LEADERSHIP. CROWN PRINCE FAHD IS THE PRIME MOVER BEHIND THIS MORE OUTWARD-LOOKING POLICY BUT FOREIGN MINISTER SAUD AL-FAISAL IS INCREASINGLY PUTTING HIS MARK ON SAUDI POLICY AND, IN THE PROCESS, INSERTING A RESTRAINED BUT DISCERNIBLE ELEMENT OF SAUDI AND ARAB NATIONALISM.

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AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

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EXDIS

SAUDI SUPPORT FOR U.S. PEACE EFFORTS HAS BEEN BASED ON A NUMBER OF CONSIDERATIONS, CONVICTIONS AND BELIEFS THAT: A) SHORT OF WAR ONLY THE U.S. CAN MOVE ISRAEL TO WITHDRAW FROM OCCUPIED TERRITORIES AND ACCEPT A PEACE THAT THE ARABS ALSO CAN ACCEPT. B) A U.S. PRESENCE AND EXPANDED INFLUENCE IN THE MIDDLE EAST IS BENEFICIENT IN TERMS OF SAUDI INTERESTS AND SHOULD BE ENCOURAGED. C) SAUDI ARABIA MIGHT BE HURT DIRECTLY IN THE NEXT ROUND OF FIGHTING, AND D) THE ARABS ARE
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NOT YET READY TO CONFRONT ISRAEL MILITARILY, WILL NOT BE READY FOR SEVERAL YEARS IN CONVENTIONAL TERMS AND MAY NEVER BE READY AT ACCEPTABLE COST IN VIEW OF ISRAEL'S PROBABLY NUCLEAR CAPABILITY.

WE CONTINUE TO BELIEVE THAT THE SAUDIS ARE FLEXIBLE ABOUT WHAT WOULD CONSTITUTE ACCEPTABLE PEACE TERMS. BASICALLY THEY WOULD GO ALONG WITH ANY SOLUTION AGREEABLE TO THE EGYPTIANS, SYRIANS, JORDANIANS AND "PALESTINIANS" (THIS LATTER PRESENTLY MEANS THE PLO BUT NEED NOT IF ANOTHER GENUINE PALESTINIAN AGENCY WERE TO EMERGE IN THE COURSE OF NEGOTIATIONS). SAUDI INSISTANCE ON THE RETURN OF OLD JERUSALEM TO ARAB CONTROL NOTWITHSTANDING, WE DO NOT BELIEVE THAT THE SAUDIS WILL ATTEMPT TO BLOCK AN OTHERWISE SATISFACTORY SETTLEMENT BECAUSE OF UNHAPPINESS WITH ITS JERUSALEM ASPECT. AT THE SAME TIME, WE SHOULD EXPECT THAT THE "CONFRONTATION STATES" WOULD BARGAIN HARD OVER THIS QUESTION BECAUSE OF REGARD FOR SAUDI SENSIBILITIES.

THE SAUDI COMMITMENT TO THE U.S. PEACE-KEEPING EFFORT HAS BEEN CONSISTENT, ABLE TO WITHSTAND SET BACKS, BUT IT IS NOT OPENENDED. SAUDI ARABIA HAS BECOME DISSATISFIED WITH THE LACK OF CLEAR MOVEMENT SINCE THE CONCLUSION OF SINAI II BUT SAUDI URGENCY IN THIS REGARD STEMS LARGELY FROM ITS CONCERN OVER THE EFFECTS OF STALEMENTS ON ARAB UNITY AND GROWING EGYPTAIN ISOLATION, AS WELL AS ON THE PROSPECTS FOR EVENTUAL PEACEFUL SETTLEMENT. SAUDI ARABIA'S RECENT ROLE--MOST EVIDENT

SINCE SINAI II HAS BEEN THAT OF MEDIATOR BETWEEN EGYPT AND ITS ARAB CRITICS. IN PARTICULAR SAUDI ARABIA HAS SOUGHT TO BLUNT SYRAIN CRITICISM OF EGYPT.

WE THINK THAT IF SAUDI ARABIA CONCLUDED THAT U.S. PEACE EFFORTS HAD REACHED A FINAL IMPASSE, IT WOULD PRESS EGYPT TO INCREASE IT DISTANCE FROM THE U.S. GOVERNEMTN, AND TO WEAKEN ITS ADHERENCE TO SINAI II. SAUDI ARABIA WOULD ASSIST IN THE MILITARY AND POLITICAL REFORGING OF AN ARAB FRONT, AND SUPPORT A HEATING UP OF THE ATMOSPHERE IN THE HOPE OF FORCING FURTHER CON-
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CESSIONS FROM ISRAEL. IF EGYPT WERE TO INSIST UPON ADHERING TO THE AGREEMENT--IN EFFECT "OPTING OUT" OF FURTHER CONFRONTATION WITH ISRAEL--WE ESTIMATE THAT SAUDI ARABIA WOULD RAPIDLY SCALE ITS PRESENT MASSIVE SUPPORT OF THE EGYPTIAN ECONOMY. IT WOULD DO SO RELUCTANTLY IN THE KNOWLEDGE THAT THIS COULD PRECIPITATE SADAT'S OUTSTER FROM POWER; THE SAUDIS LIKE THAT SADAT REGIME AND CAN HAVE NO CONFIDENCE THAT THEY COULD OWRK AS WELL WITH A SUCCESSOR REGIME. HOWEVER, WE BELIEVE THIER COMMITMENT TO THE ARAB CAUSE AND PRESSURES FROM OTHER ARAB COUNTRIES, ESPECIALLY SYRIA, WOULD LEAD THEM TO TAKE THIS RISK.

SAUDI ARABIAN INFLUENCE ON WAR AND PACE CAN BE EXERTED ALSO IN ANOTHER MORE DIRECT FASHION: WE THINK IT IMPROBABLY THAT THE ARAB STATES WOULD TAKE A DELIBERATE DECISION TO GO TO WAR WITH ISRAEL WITHOUT PRIOR ASSURANCES OF SAUDI WILLINGNESS TO UNDERWRITE THEIR CERTAINLY HUGE LOSSES IN BOTH THE MILITARY AND CIVILIAN SECTORS. THE SIZE F SAUDI ARABIA'S POTENTIAL WAR CHEST TODAY (\$32 BILLION IN FOREIGN EXCHANGE HOLDINGS AS OF AUGUST 75) AND SAUDI ARABIA'S POTENTIAL INFLUENCE AS THE WORLD'S LEADING OIL EXPORTER MAKES SUCH CONSULTATION EVEN MORE ADVISABLE THAN IN 1973. IF AT THE TIME OF THIS CONSULTATION THERE IS STILL A REASONABLE HOPE THAT U.S. EFFORTS CAN BRING VISIBLE PROGRESS SOON, SAUDI ARABIA CAN BE EXPECTED TO TEMPORIZE. SAUDI ARABIA WILL NT LONG DENY FINANCIAL ASSISTANCE ONCE WAR HAS BROKEN OUT OR THE DECISON FOR WAR HAS BEEN TAKEN. THE DECISION TO IMPOSE A CUTBACK ON OIL PRODUCTION OR A SELECTED OR TOTAL EMBARGO WILL PROBABLY NO BE TAKEN AUTOMATICALLY BUT WOULD BE FAIRLY QUICKLY TRIGGERED BY:

A) U.S. SUPPORT FOR ISRAEL SUCH AS ARMS RESUPPLY, OR

B) A DECISIVE TURNING OF THE CONFLICT IN ISRAEL'S FAVOR, REGARDLESS OF U.S. SUPPORT FOR ISRAEL, AS

A MEANS OF PUTTING PRESSURE ON ISRAEL.

3. PERSIAN GULF AND RED SEA SECURITY

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THIRD, THE SECURITY OF THE PERSIAN GULF IS IMPORTANT TO THE UNITED STATES BECAUSE OF THE IMPORTANCE OF THE OIL FROM THAT REGION TO WESTERN EUROPE, JAPAN AND OURSELVES. WE HAVE A SIMILAR BUT LESSER INTEREST IN THE SECURITY OF THE RED SEA (OUR INTEREST IN INTERNAL STABILITY IN SAUDI ARABIA IS DISCUSSED ELSEWHERE). A SAUDI LEADERSHIP AMONGST THE ARAB STATES OF THE PERSIAN GULF LITTORAL IS ACKNOWLEDGED BY THE LEADERSHIP OF ALL OF THOSE STATES, THOUGH IRAQ CONTESTS IT AND KUWAIT RESENTS IT. BUT, SAUDI ARABIA TAKES ITS RESPONSIBILITIES IN THE AREA SERIOUSLY.

A THREAT TO ANY OF THE ARAB STATES OF THE GULF FROM OUTSIDE THE AREA PRESENTLY SEEMS UNLIKELY. THE MOST PLAUSIBLE THREATS ARE A) SUBVERSION LEADING TO A COUP ATTEMPT, PERHAPS IN ONE OF THE SMALLER GULF STATES SPONSORED BY IRAQ, B) IRAQI MILITARY PRESSURE ON KUWAIT AND C) AN ARAB-IRANIAN DISAGREEMENT LEADING TO CONFLICT. IN EITHER OF THE FIRST TWO CASES SAUDI ARABIA WOULD COME TO THE AID OF THE THREATENED GOVERNMENT. IN THE FIRST INSTANCE, THAT OF SUBVERSION AND ATTEMPTED COUP, SAUDI ASSISTANCE MIGHT BE FAIRLY EFFECTIVE. IN THE SECOND, SAUDI ARABIA'S CAPACITY FOR DIRECT INVOLVEMENT WOULD BE LIMITED BUT IN COOPERATION WITH OTHER ARAB STATES IT COULD BRING STRONG POLITICAL PRESSURE TO BEAR ON IRAQ.

THE THIRD POSITED CASE IS THE MOST UNLIKELY BUT POTENTIALLY MOST DANGEROUS. SAUDI-IRANIAN RELATIONS ARE PRESENTLY EXCELLENT AND THE LEADERS OF THE TWO COUNTRIES APPEAR TO BE COMMUNICATING WITH EACH OTHER. (RELATIONS MAY HAVE IMPROVED SINCE THE DEATH OF FAISAL, PARTLY BECAUSE THE SHAH CONSIDERS SAUDI ARABIA'S PRESENT LEADERSHIP TO BE MORE MODERN, FLEXIBLE, AND PRAGMATIC THAN FAISAL WAS.) MOREOVER, THEY HAVE DISCUSSED QUESTIONS OF GULF SECURITY AND SAUDI LEADERS ACKNOWLEDGE THE LEGITIMACY OF IRANIAN CONCERN WITH THE ISSUE. NONETHELESS, SAUDI LEADERS DO HAVE LINGERING DOUBTS ABOUT LONG TERM IRANIAN GOALS IN THE GULF, ESPECIALLY AFTER THE SHAH PASSES FROM THE SCENE. THE SAUDIS EMPHATICALLY DO NOT CONCEDE THAT THERE IS ANY ROLE TO BE

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FILLED BY IRAN ON THE ARAB SIDE OF THE GULF. (IRANIAN INVOLVEMENT IN OMAN IS AN EXCEPTION WHICH HAS NEVER SAT WELL WITH THE SAUDIS. REALIZING THEIR OWN INABILITY TO PROVIDE DECISIVE ASSISTANCE TO QABUS, THEY HAVE GRITTED THEIR TEETH AND REMAINED SILENT WHILE IRAN PROVIDED THE KIND OF HELP THEY FEEL SHOULD HAVE COME FROM THEMSELVES AND OTHER ARABS. SINCE THE "TOTAL VICTORY" IN OMAN THEY WILL BE LOOKING TO SEE WHETHER THE IRANIAN FORCES WITHDRAW.) IF ONE OF THE SMALLER GULF STATES WERE THREATENED BY SUBVERSION OF A COUP, THE SAUDIS WOULD NOT BE LIKELY TO ACCEPT DIRECT IRANIAN MILITARY INTERVENTION. THE SAUDIS WOULD NOT BE SO FOOLISH AS TO BLUNDER INTO MILITARY CONFLICT WITH SO OVERSHELMINGLY POWERFUL AN ADVERSARY, BUT RELATIONS BETWEEN THE TWO COUNTRIES WOULD CERTAINLY DETERIORATE AND THE CONSEQUENT COMPETITION FOR INFLUENCE ELSEWHERE IN THE REGION WOULD BE DESTABILIZING, PERHAPS INVITING THE INSTRUSION OF OUTSIDE POWERS AND INEVITABLY INCREASING THE IRAQI CAPACITY FOR MEDDLING.

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EXDIS

IRAN AND SAUDI ARABIA SHARE A CONCERN FOR GULF SECURITY BUT HAVE THUS FAR PREFERRED DIFFERENT APPROACHES TO IT. IN PARTICULAR THE SAUDIS HAVE SHOWN TO INTEREST IN THE FORMAL ARRANGEMENTS APPARENTLY FAVORED BY IRAN. AS LONG AS THERE IS DISAGREEMENT ON THIS SUBJECT, SECURITY IS PROBABLY BEST MAINTAINED BY CONTINUED INFORMAL CONSULTATION BETWEEN IRANIAN AND SAUDI LEADERS, ESPECIALLY IF THIS CAN AVOID A SITUATION IN WHICH IRANIAN LEADERS FEEL THEIR INTERESTS REQUIRE UNILATERAL AND UNCOORDINATED SECRET

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DINATED INTERVENTION ON THE ARAB SIDE OF THE GULF.

SAUDI ARABIA REGARDS A STABLE AND FRIENDLY YEMEN ARAB REPUBLIC TO BE IMPORTANT TO ITS OWN SECURITY--A VIEW WE SHARE. WITH SOME ASSISTANCE FROM THE USG SAUDI ARABIA SEEMS TO BE ABANDONING THE THESIS THAT IT CAN MANIPULATE EVENTS TO ITS LIKING IN THE YAR BY THE PAYMENT OF SUBVENTIONS TO VARIOUS TRIBAL ELEMENTS AND HAS AGREED TO SUPPORT THE MODERATE AND PROGRESSIVE CENTRAL GOVERNMENT OF PRESIDENT HAMDI. SAUDI SUPPORT IS PROBABLY CRUCIAL TO THE CONTINUATION OF A MODERATE GOVERNMENT IN THE YAR, AND TO HELP LIMIT SOVIET INFLUENCE ALONG THAT PORTION OF THE RED SEA COAST.

THE SAG HAS BEEN INVOLVED IN NEGOTIATIONS WITH THE PDY FOR NORMALIZATION OF RELATIONS. SAUDI CONDITIONS INCLUDE NOT ONLY ABANDONMENT OF SUPPORT FOR THE DHOFAR REBELLION BUT MODERATION OF THE REGIME'S RADICAL INTERNAL AND FOREIGN POLICIES. THE SAUDIS ALSO SEEK REDUCTION OF SOVIET AND OTHER COMMUNIST INFLUENCE THERE.

THE SEG IS SIMILARLY CONCERNED ABOUT COMMUNIST INFLUENCE ON THE AFRICAN SIDE OF THE RED SEA. IT WOULD LIKE TO SEE THE SOVIET PRESENCE IN THE AREA REDUCED OR ELIMINATED BUT THE SAUDIS SEEM AT A LOSS TO KNOW HOW TO BRING TO BEAR WHAT LEVERAGE THEY HAVE. THE SAG WILL

CAREFULLY CONSIDER U.S. ADVICE ON THE HORN OF AFRICA BUT WILL BE SLOW TO FOLLOW OUR LEAD. THEY DISAGREE WITH US ON THE ERITREAN QUESTION AND ON THE WORTHINESS OF THE EPMG, AND BELIEVE THEY WERE MISLED BY US ON THE SOVIET PRESENCE IN SOMALIA. THEY BELIEVE OUR REAL CONCERN WAS ALL ALONG TO EXPLOIT THAT PRESENCE TO WIN SUPPORT IN THE U.S. CONGRESS FOR EXPANSION OF OUR NAVAL FACILITY AT DIEGO GARCIA.

4. SAUDI ARABIAN ARMED FORCES DEVELOPMENT

FOURTH, WE SHARE WITH THE SAG RESPONSIBILITY FOR THE ARMED FORCES DEVELOPMENT AND MODERNIZATION. IN 1974 THE U.S. CONDUCTED A SURVEY OF THE SAUDI ARMED FORCES AND THE PRESENT MODERNIZATION PROGRAM IS PROCEEDING
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LARGELY WITHIN THE RECOMMENDATIONS OF THIS SURVEY. THE SURVEY CALLS FOR AN UPGRADING OF PERSONNEL SKILLS AND EQUIPMENT MODERNIZATION BUT NO SUBSTANTIAL INCREASE IN THE SIZE OF THE ARMED FORCES. THE GOALS OF THE PROGRAM ARE REASONABLE IN TERMS OF DEVELOPING A FORCE THAT CAN RESIST AGGRESSION FROM THE TWO MOST LIKELY THREATS, IRAQ AND THE PDRY. THE PROGRAM WILL NOT GIVE THE SAUDI ARMED FORCES THE CAPACITY TO OPERATE ACROSS ITS FRONTIERS IN THE FORESEEABLE FUTURE. (IN A COMBAT SITUATION THE SAUDI BRIGADES IN JORDAN AND SYRIA COULD NOT BE SUPPORTED DIRECTLY FROM SAUDI ARABIA BUT WOULD BE LOGISTICALLY DEPENDENT UPON THE HOST COUNTRIES.) THE U.S. HAS AN INTEREST IN SUPPORTING THE SAUDI MODERNIZATION PROGRAM BECAUSE: A) OF ALL THE POTENTIAL PARTICIPANTS WE CAN DO IT BEST WITH THE LEAST WASTE OF MONEY AND MANPOWER. A PROGRAM SCATTERED AMONG COUNTRIES WHOSE ONLY INTEREST IS IN ARMS SALES WILL NOT BE EFFECTIVE, WILL LEAD TO INCREASED CORRUPTION AND WILL WASTE MANPOWER BADLY NEEDED FOR ECONOMIC AND SOCIAL DEVELOPMENT. THE RESULT IN TIME WOULD BE DIMINISHED INTERNATIONAL STABILITY--THE MAINTENANCE OF WHICH IS A VERY HIGH PRIORITY U.S. INTEREST. B) U.S. PARTICIPATION WILL GIVE US CONTINUING OPPORTUNITY TO INFLUENCE THE SAUDI OFFICER CORPS, AND EVEN GREATER INFLUENCE OVER SAG MILITARY ACTIONS BY VIRTUE OF ITS DEPENDENCE ON THE U.S. FOR EQUIPMENT MAINTENANCE AND SPARE PARTS AND,

C) THE SAG WILL SPEND BILLIONS OF DOLLARS ON ITS ARMED FORCES OVER THE NEXT SEVERAL YEARS; MUCH OF THIS CAN FLOW TO THE U.S. AS A RESULT OF A SAUDI PREFERENCE FOR U.S. TRAINING, SERVICES AND EQUIPMENT.

THE FOREGOING FACTORS MIGHT CONSTITUTE ONLY A MEDIUM

PRIORITY U.S. INTEREST IN PARTICIPATING IN SAUDI ARMED FORCES MODERNIZATION WERE IT NOT FOR AN ADDITIONAL ELEMENT: THE SAG HAS CHOSEN TO REGARD U.S. WILLINGNESS TO PROVIDE MODERN ARMS AS AN EARNEST OF OUR DESIRE FOR GOOD RELATIONS IN ALL AREAS. (CONTINUED PARTICIPATION BY THE CORPS OF ENGINEERS IN SAUDI DEFENSE AND ECONOMIC INFRASTRUCTURE PROJECTS IS ALSO CONSIDERED IN MUCH THE SAME WAY) REFUSAL BY THE U.S.--THE MAJOR TRADITIONAL

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SUPPLIER--TO CONTINUE TO SEEL UP-TO-DATE WEAPONS WITHIN REASONABLE DELIVERY TIMES WILL BE SEEN AS REFLECTING NEGATIVELY UPON U.S. RELIABILITY AS A PARTNER IN POLITICS, ECONOMICS, AND DEVELOPMENT. UNDER SOME CIRCUMSTANCES REFUSAL TO SUPPLY ARMS COULD BE SEEN BY THE SAUDIS AS DEMONSTRATING A DEGREE OF RESPONSIVENESS TO PRESSURES FROM ISRAEL AND ITS SUPPORTERS SUCH AS TO CAST DOUBT UPON OUR ABILITY TO CONTINUE ACHIEVING PROGRESS TOWARDS A MIDDLE EAST SETTLEMENT.

5. COMMON SENSE IN THE THIRD WORLD

FINALLY, WE JUDGE IT IS OF SOME INTEREST TO THE U.S. TO SEE THAT SAUDI ARABIA'S INFLUENCE WITH THE THIRD WORLD IS USED TO ENCOURAGE MODERATION AND COMMON SENSE. FOR A NUMBER OF REASONS INCLUDING ACTUAL AND POTENTIAL PERFORAMCNE AS AN AID DONOR AND PREEMINENCE IN THE MUSLIM WORLD, SAUDI INFLUENCE IS STRONG AMONG THE NATIONS OF ASIA AND AFRICA. IN THE PAST SAUDI ARABIA ADOPTED THE COLORATION OF A "THIRD WORLD" OR "NON-ALIGNED" COUNTRY LARGELY BECAUSE IT AFFORDED A DEGREE OF PROTECTION AT A TIME WHEN IT WAS BEING ATTACHED CLOSER TO HOME AS A REACTIONARY STOOGUE OF THE U.S. SAUDI ARABIA CONTINUES TO WEAR THE THIRD WORLD MANTLE PARTLY FROM CONVICTION, PARTLY FROM HABIT AND NOT LEAST BECAUSE IT IS OCCASIONALLY USEFUL. THE SAG HAS BEEN A PARTICIPANT IN SOME OF THE TRADEOFFS WHICH HAVE TENDED IN RECENT YEARS TO TURN THE UN AND ITS AGENCIES INTO A SHAMBLES. FOR THE MOST PART, HOWEVER, IT HAS BEHAVED RESPONSIBLY IN INTERNATINAL ORGANIZATIONS SUCH AS AT THE CONSUMER PRODUCER DIALOGUE, THE LAW OF THE SEA CONFERENCE, AND DURING A NUMBER OF IMPORTANT VOTES AT THE UN. IN GENRAL SAUDI ARABIA CLINGS TO THE TRADITIONAL POLICY OF A LOW PROFILE AND AVOIDING CONFLICT WHERE ITS DIRECT INTERESTS ARE NOT ENGAGED. BUT IT IS INCREASINGLY WILLING TO STAND UP TO ISSUES. A CASE IN POINT IS THE RECENT NON-ALIGNED CONFERENCE AT LIMA WHICH IT ATTENDED ONLY TO DEFEND SOUTH KOREA AND WHICH IT PROCEEDED TO DO VIGOROUSLY.

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